

Asia week ahead: Is a technical recession lurking?

Some Asian economies are already showing signs that a 'technical recession' may be around the corner, but low inflation gives central banks some room to avert one. But aside from that, April economic data should provide a glimpse of where GDP growth and inflation are headed in the second quarter



Source: Shutterstock

Is a 'technical recession' lurking?

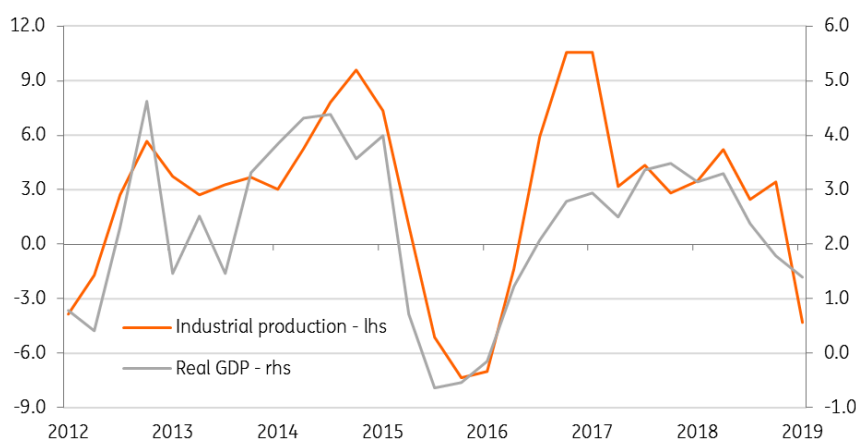
1Q19 GDP reporting season is catching up with more Asian countries reporting data next week.

Aside from China, the slowdown in Asian economies gained traction in the first quarter of the year. China's GDP growth was steady, thanks to the fiscal stimulus, but Korea and Singapore posted sharp growth slowdowns in 1Q19, and the countries reporting next week – Hong Kong and Taiwan – are likely to join this camp too.

The critical question is whether a recession is around the corner. Korea was the first in Asia to report quarterly GDP contraction in 1Q19. Taiwan could follow suit, judging by a steep fall in its manufacturing in the last quarter. As things stand now, we can't rule out another quarter of GDP contraction in 2Q, and after today's GDP numbers from Korea, we think a 'technical recession' is quite plausible.

[Read why the biggest quarterly contraction in Korea GDP is bad news](#)

Taiwan's manufacturing is dragging GDP lower (% YoY)



Source: Bloomberg, ING

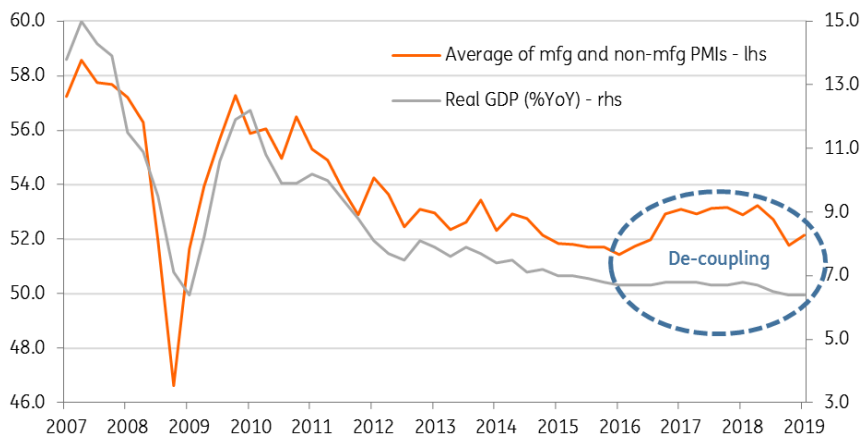
➔ April data should give a glimpse of 2Q growth

April trade data and purchasing managers' index should provide a glimpse of where GDP growth is headed in 2Q. Preliminary manufacturing PMIs from developed countries bode well for those due from Asia next week. The export order components of PMI will be judged for the trade story, which doesn't seem to be getting any better though.

Chinese data will be under scrutiny to see if the economy's better-than-expected performance in the first quarter was a blip and if the slowdown has been delayed. This may be hard to judge from soft data like PMIs, given its de-coupling from real GDP growth in recent years. But it's still a key sentiment driver for markets. A slight improvement as implied by consensus forecasts for both manufacturing and non-manufacturing PMI will be good enough to put a positive spin on China's growth story.

Korea is the first economy in the region, and probably the world, to release trade figures for April, and should prove to be a good guide to trade from the rest of the region. We see no respite from the falling trend in Korean exports which have been reeling under the global tech slump.

China: De-coupling of PMI and GDP growth



Source: Bloomberg, ING

➔ Low inflation allows for more policy support

Korea also reports consumer price data for April along with Indonesia and Thailand.

Aside from the upward pressure on global oil prices, there is nothing to worry about inflation in Asia. And an oil-driven rise in inflation isn't something we expect to see in an environment of slowing growth. But the current low level of inflation across the region does give central banks the scope if needed to ease policies to support growth.

Asia Economic Calendar

Country	Time*	Data/event	ING	Survey	Prev.
Saturday 27 April					
China	0230	Mar Industrial Profits (YoY%, YTD)	-	-	-1.9
Monday 29 April					
Hong Kong	0930	Mar Exports (YoY%)	-2.6	-	-6.9
	0930	Mar Imports (YoY%)	-1.4	-	-3.8
	0930	Mar Trade Balance (HK\$ bn)	-58.5	-	-48.8
Thailand	-	Mar Manufacturing Index (YoY%)	-3.5	-	-1.6
South Korea	2200	May BOK Business Survey Index, mfg	74.0	-	76.0
	2200	May BOK Business Survey Index, non-mfg	75.0	-	76.0
Tuesday 30 April					
China	0200	Apr Non-manufacturing PMI	55.0	55	54.8
	0200	Apr Manufacturing PMI	50.5	50.8	50.5
Taiwan	0900	1Q P GDP (YoY%)	1.4	-	1.8
Thailand	0730	Mar Current Account Balance (US\$bn)	4.4	-	6.5
South Korea	0000	Mar Industrial production (MoM, SA/YoY%)	-1.7/2.5	-/-0.6	-2.6/-2.7
Wednesday 1 May					
Thailand	0500	Apr CPI (YoY%)	1.2	-	1.2
	0500	Apr Core CPI (YoY%)	0.6	-	0.6
South Korea	0100	Apr Exports (YoY%)	-7.2	-	-8.2
	0100	Apr Imports (YoY%)	-6.8	-	-6.7
	0100	Apr Trade Balance (US\$mn)	5543.0	-	5206.0
Thursday 2 May					
China	0245	Apr Caixin Manufacturing PMI	51.0	51.0	50.8
India	0600	Apr Nikkei Manufacturing PMI	53.2	-	52.6
Hong Kong	0930	1Q GDP (Q) (QoQ, SA/YoY%)	-/-	-/-	-0.3/1.3
Indonesia	-	Apr CPI (YoY%)	2.5	-	2.5
	-	Apr Core CPI (YoY%)	-	-	3.0
Malaysia	0030	Apr Nikkei Manufacturing PMI	47.7	-	47.2
Taiwan	0130	Apr Nikkei Manufacturing PMI	49.5	-	49.0
Thailand	0030	Apr Nikkei Manufacturing PMI	49.9	-	50.3
South Korea	0000	Apr CPI (YoY%)	0.3	-	0.4
	0000	Apr Core CPI (YoY%)	0.7	-	0.9
	0130	Apr Nikkei Manufacturing PMI	48.2	-	48.8
Friday 3 May					
Hong Kong	0930	Mar Retail Sales Value (YoY%)	-	-	-10.1
	0930	Mar Retail Sales Volume (YoY%)	-	-	-10.4
Malaysia	0500	Mar Exports (YoY%)	1.0	-	-5.3
	0500	Mar Imports (YoY%)	-2.0	-	-9.4
	0500	Mar Trade Balance (RM bn)	16.9	-	11.1
Singapore	1400	Apr PMI	50.5	-	50.8

Source: ING, Bloomberg, *GMT